

BEFORE  
THE PUBLIC SERVICE COMMISSION OF  
SOUTH CAROLINA  
DOCKET NO. 92-007-G - ORDER NO. 92-482 *vc*  
JUNE 29, 1992

IN RE: Annual Review of the Gas Costs and                    ) ORDER  
      Gas Purchasing Policies of Piedmont                    )  
      Natural Gas Company.                                        )

On October 16, 1991, the Public Service Commission of South Carolina (the Commission) issued its Order No. 91-927 which requires the Commission Staff to make an annual audit of the Purchased Gas Adjustment and Gas Purchasing Policies of Piedmont Natural Company (Piedmont or the Company), report to the Commission the results of Staff's audit, and to make the results available to the Company and the Consumer Advocate for the State of South Carolina (the Consumer Advocate) upon completion. The Staff has reported to the Commission the results of Staff's audit as ordered, and has made available the results of said audit to the Company and to the Consumer Advocate. The matter comes before us for disposition.

By letter dated March 3, 1992, the Executive Director required Piedmont Natural Gas Company to publish at the Company's expense, on or before April 30, 1992, a Notice in newspapers of general circulation, in the affected area, once a week for three (3) consecutive weeks, and provide the Executive Director proof of

publication on or before May 15, 1992. Also, the Executive Director requested that the Company furnish, at Company expense, on or before April 30, 1992, by bill insert or otherwise, a Notice to each customer and provide a certification that this notification has been furnished on or before May 15, 1992. By letter dated May 14, 1992, to the Executive Director, Paul C. Gibson of the Company made the requested certifications. No Protests or requests to intervene were received prior to the return date.

The provisions of Order No. 91-927 state that, if Staff takes no exception to the audits, then the Commission will decide if a hearing is necessary on a particular company. Staff took no exception to the audit in the present case, although, Staff did have several recommendations to make. Order No. 91-927 also states that the Staff, the Company, and the Consumer Advocate may make such motions as they shall deem fit, if appropriate. No motions were received from anyone. The Commission believes that it may therefore rule on Staff's recommendations without a hearing, and will do so as follows:

**FINDINGS OF FACT AND CONCLUSIONS OF LAW**

1. The Commission in Order No. 91-733 approved the current base cost of gas for Piedmont Natural Gas Company of \$2.575 per dekatherm in the Company's rates. The Gas Department in its report has recommended that the base cost of gas of \$2.575 per dekatherm continue. The \$2.575 per dekatherm reflects the Gas Department's best judgment as to what Piedmont would expect to

pay for gas on average or the next twelve (12) months based on Piedmont's average cost for the twelve (12) months ended March 1992 and the nature of the competitive industrial fuels market. The Commission agrees with this reasoning and holds that the current base cost of gas of \$2.575 per dekatherm in the Company's rates shall continue until further Order of this Commission.

2. The Gas Department recommends changing Section IV. of the Company's tariff (Monthly True-up of Gas Costs) Paragraph A Demand Charges and Storage Charges to read as follows:

On a monthly basis, the Company shall determine the difference between (a) the aggregate Demand Charges and Storage Charges included in the Company's most recently approved PGA and (b) the Company's actual Demand Charges and Storage Charges based on current months sales. (The new language is emphasized.)

Staff recommends that this difference should be placed in the Company's Deferred Account No. 253. This refinement is being proposed by the Gas Department to provide for a more precise method of recovering supply demand charges, based on current months sales. The Commission accepts the recommendation of the Gas Department and believes that the Company's tariff would be changed to add the language "based on current months sales" at the point indicated.

3. The Accounting Department of the Commission Staff has recommended an adjustment of \$195,492 to Account No. 253.04. Staff analyzed the balance of \$1,647,676 in that account, and proposed the adjustment of \$195,492 based on the following:

1. Elimination of a billing adjustment of \$886 (South Carolina Portion that was credited twice) (debit correction);
2. Correcting a mathematical error of \$1,000 in

Negotiated Losses (credit correction);

3. Adding two omitted billing adjustments which totaled \$128 (South Carolina Portion) (credit correction);
4. Correcting for the proper cost of gas decrement which the adjustment totaled \$9,872 (credit correction);
5. Eliminating unresolved bonded rate case issues from Account No. 253.04 which totaled \$200,164 (debit correction); and
6. Adjusting interest expense by \$5,442 (debit correction) for the previous adjustments and for previously unrecorded interest.

In Staff's opinion, the adjusted balance of \$1,452,184 represents the proper amount to be distributed at some future date and Staff believes that this balance is in compliance with the intent of Commission Order No. 88-294. The Commission adopts Staff's adjustment of \$195,492 to Account No. 253.04 because of the reasoning stated above.

4. With regard to prudence, the Gas Department is of the opinion that Piedmont has made prudent decisions in carrying out its supply requirements for meeting both its firm customers demand entitlements and competing with a competitive alternate fuel market. The Gas Department's observations of Piedmont Gas Purchasing Policies indicates that Piedmont has made a number of changes with regard to the purchases of natural gas supplies. As a result of FERC approval of Transco's Revised Stipulation and Agreement, Piedmont no longer purchases gas from Transco under the traditional CD-2 rate schedule, but instead, is utilizing Transco as a transportation system. It should be noted that Transco's

Revised Stipulation and Agreement still provides for Transco to provide a merchant function for the purchases of natural gas, and that Piedmont relies on Transco to provide for some of their firm demand entitlements. Piedmont's supply requirements are met through long term contracts with producers, and through purchases of gas on the spot market. Piedmont's ability to make purchases of natural gas supplies and transport these supplies on the Transco system under Transco's Firm Transportation Service has provided Piedmont with the opportunity to take advantage of market-responsive priced gas which enables Piedmont to minimize its gas costs. The Gas Department therefore believes that Piedmont's gas purchasing policies indicates that Piedmont attempts to get the best terms available in its negotiations with suppliers and in proceedings with the FERC. The Commission adopts the reasoning of the Gas Department in this case, and would further state that Piedmont has an obligation to maintain adequate supplies at just and reasonable costs to serve its customers. The Gas Department believes that Piedmont continues to meet this responsibility. The Commission adopts the reasoning of the Gas Department. Based on the above-stated reasoning,

IT IS THEREFORE ORDERED THAT:

1. The current cost of gas for Piedmont of \$2.575 per dekatherm shall hereby be continued.
2. The addition of the language based on current months sales to the first sentence of Section (b) of the Company's tariff as indicated above is hereby adopted.


3. The Accounting Staff's proposed adjustment of \$195,492 to Account No. 253.04 is hereby adopted.

4. That the Company's gas purchasing practices and policies are hereby found to be prudent.

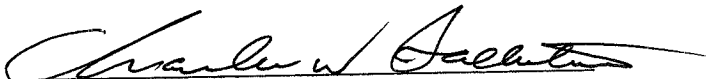
5. That the Company file revised tariff sheets reflecting the findings herein within ten (10) days of the date of this Order.

6. That this Order shall remain in full force and effect until further Order of the Commission.

BY ORDER OF THE COMMISSION:

  
Chairman

ATTEST:

  
Executive Director

(SEAL)